

THE EFFECTS OF THE AFRICAN COFFEE COOPERATIVES  
ON KENYA'S ECONOMY

A THESIS

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## INTRODUCTION

### The Problem of the Study

The problem involved in this study entails determining the extent to which economic growth has been attained since the establishment of the African coffee cooperatives in Kenya. The study, therefore, shows how changes in agricultural produce, particularly in coffee production, has affected not only the gross national product of the country but also the general income of the farmers. In addition the study also evaluates the impact of land settlement schemes on the economic growth as a basis for raising questions as to what can be done to make African coffee cooperatives and land settlement schemes more effective.

### Significance

This study is significant in that it may throw light as to the changes which have taken place since the Africans were allowed to form cooperatives. It may also serve as the basis for the government in evaluation the measures that should be taken to make the African coffee cooperatives more effective or what other agricultural cooperatives should be given special emphasis in the present land settlement schemes.

### Scope and Limitations

It is not the purpose of this paper to discuss in detail the period before 1940 when the Africans were not allowed to form cooper-

atives, or to discuss all the agricultural crops, but rather to confine itself to some of the most important crops in order of their importance, for example, coffee, sisal, pyrethrum and others, which will be discussed throughout the course of the study.

The study is limited to the African coffee cooperatives as the title indicates.

### Method and Procedure

Chapter 1 of this study is mainly concerned with some factors which have an effect on the economy in general. Thus topography, climate, vegetation, population and transportation are discussed briefly. The chapters which follow focus mainly on cooperatives -- historical background, organization, some aspects dealing with land and with general economic growth. Thus, an attempt is made to analyze and interpret the available data so as to determine what has been the effect of the African coffee cooperatives.

The writer collected material and information available on Kenya's economic development, particularly on the agricultural sector. Materials used were obtained from:

1. Trevor Arnett Library, Atlanta University
2. Ministry of Co-operative and Social Services
3. Ministry of Agriculture and Land Development
4. Atlanta, Georgia, Public Library
5. Georgia State College

Besides the above-mentioned sources, class discussions have been of immense help to the writer.

Definition of Terms

Registered Society means a society registered as a cooperative society under Co-operative Societies Act, No.39, of 1966.

Agricultural produce means any produce produced by members of a registered society or marketed through a cooperative society whether the produce of agriculture, animal husbandry, forestry, fisheries or handcrafts. The latter three are not discussed in this study.

Primary Society means a registered society, membership of which is restricted to individual persons.

District Co-operative Union means a cooperative union of which the membership is restricted to primary societies having their headquarters in a particular district.

Cooperative Union means a registered society of which members are restricted to primary societies.

Apex Society means a registered society, the membership of which is restricted to cooperative unions and includes a society established to serve the cooperative movement by provision of facilities for banking, insurance and the supply of goods and services.

Disguised unemployment means that a large part of the manpower pool does almost nothing because there is nothing for it to do.

Harambee is a Swahili word meaning "let us pull together."

## CHAPTER I

### THE COUNTRY

The country under study lies astride the equator on the east coast of Africa, between latitudes  $4^{\circ}$  North and  $4^{\circ}$  South, and from longitude  $34^{\circ}$  to  $41^{\circ}$  East. It is bounded on the north by Ethiopia and the Sudan, on the south by Tanzania, on the west by Uganda and on the east by the Republic of Somali and the Indian Ocean.<sup>1</sup> Its area is approximately 225,000 square miles of which 5,000 square miles is covered by water.

Kenya relies almost wholly on agricultural production, and as such, the rate of growth and improvement of the standard of living will continue to depend for many years primarily on the agricultural sector of the economy. This being the situation, if rapid development is to be attained, agriculture must be accorded the highest priority in allocation of resources.<sup>2</sup>

According to 1961 and 1962 statistics, agricultural exports accounted for approximately 86 and 89 percent of the total exports, respectively. Since Kenya relies mainly on agriculture, some of the natural phenomenon which have an effect on agriculture will be discussed. These phenomenon are:

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<sup>1</sup>British Information Services, Kenya (New York, 1963), p.2.

<sup>2</sup>International Bank for Reconstruction, The Economic Development of Kenya (The Johns Hopkins University Press, Baltimore, 1963), p.93

- (1) Topography
- (2) Climate
- (3) Vegetation and soil
- (4) Population and Transportation.

### Topography

Kenya is noted for its topographical variety. The land rises from 300 feet on the coastal region to 17,058 on the Kenya highlands. The low lying coastal region is backed by a gradually rising coastal plains of an elevation of about 5,000 feet high, penetrating 300 miles inland. The plain gives way in the southwest to a high plateau in which about 85 percent of the population and the majority of the economic activities are concentrated. The northern region which forms three fifths of the country is arid -- a semi-desert -- in character. In the high plateau area, known today as the Kenya highlands, formerly "White Highlands," lies Mt. Kenya, 17058 ft. and Mt. Elgon on the west 14,178 feet and the Abardare Range. The plateau is bisected from north to south by Rift Valley, part of a great geological fracture which can be traced from Syria through the Red Sea and along which there are many lakes, for example, Lake Nakuru which is a center of attraction for tourists because of the flamingoes.

In the north in the arid region lies Lake Rudolf, 160 miles long, which is being developed for the fishing industry. West of Rift Valley the plateau descends to the plains which border Lake Victoria near Kisumu, which is the third largest commercial center

in Kenya.

### Climate

Kenya's climate is as varied as its physical structure. Climatic conditions vary from tropical humidity of the coastal region through the cool hinterland plateau and dry heat of the northern region. Despite Kenya's equatorial position, Mt. Kenya is partially snow-capped. The coastal temperature averages 80°F and the temperature decreases by almost 3°F with each increase in altitude. Thus, Nairobi, the capital city, at an altitude of 5,495 feet, has a mean temperature of 67°F and other areas at 9,000 feet have an average temperature of 56°F. Another peculiar characteristic is that seasonal variations are distinguished by times of rainfall rather than changes of temperature, most of the regions of the country having two rainy seasons, the long rains which begin in April and ends in June and the short rains which starts in October and ends in December.

The average annual rainfall varies from 5 inches in the most arid areas of the northern plains to 70 inches a year around Lake Victoria. It should be noted that the lake area consisting of regions bordering the shores of Lake Victoria has an average altitude of 4,000 feet and an average temperature of between 70°F and 75°F.

### Vegetation and Soil

The author wishes to submit that the nature of the soil has an effect on the type of products that can be produced and the amount of produce that the land will yield after all factors of production (land, labor and capital) have been applied.



In order to discuss the soil factor, Kenya may be divided into approximately four geographical regions.: the former "White Highlands" in central and Rift Valley regions where loam soil supports thick forest and most of the agricultural produces; the Southern region with vast plains covered with grass and shrubs where wild life and cattle rearing predominate; the lake region with rich soil where cotton, and coffee, are grown extensively and lastly, the northern region which is a semi-desert covered with sandy soil, which is poor for agricultural produce. Besides the variety of soils in these regions, each region is characterized by indefinite land forms or patterns which give them individuality. The type of soil in each area is important because it will greatly affect the income of that area. This is true because if the soil is suitable for the type of crops that the area is engaged in producing, the income that the crops yield will be higher.

Thus, in the central lake and western regions where the soil is rich the agricultural produce yields higher income. In the northern region and part of the southern region, where the soil is sandy and no agricultural crops can be grown except for a few heads of cattle kept by Masais, the level of income is obviously low. However, it should be noted that the greater part of the southern region is important for wild life which attracts thousands of tourists.

It should be mentioned that although a large proportion of the higher potential land is inherently fertile, soil deficiency is nevertheless widespread. According to the United Nations Commission's

Report it is estimated that for every million pounds worth of mineral fertilizer, the right kind applied in the right quantity on such crops as maize, wheat, and pyrethrum, the result would be an increase return of approximately £3million in the economy.<sup>1</sup> If this is the case, the government should encourage and instruct the farmers in the use of fertilizers in regions where such soil deficiencies are in existence.

### Population

According to the 1962 census, the total population in Kenya numbered 8,635,263, and over 90 percent of the population lived in rural areas.<sup>2</sup> The African population can be classified into four major linguistic groups, the Bantu, the largest group which includes such tribes as Kikuyu, Kamba and Baluhya; the Nilotics of which the largest tribe is Luo; the Nilo-Hamitic and lastly the Hamitic. It should be noted that while most of the land area is occupied by the Hamitic and Nilo-Hamitic, whose main occupation is cattle and sheep rearing, over 70 percent of the population is Bantu, whose main occupation is farming.

These linguistic groups are significant in that they also reflect the type of occupation -- the Kikuyus are mainly engaged in agriculture and commerce, as are the Luos who are Nilotics, whereas such groups as Hamitic and Nilo-Hamitic are engaged mainly in cattle

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<sup>1</sup>International Bank for Reconstruction and Development, op.cit., p.93.

<sup>2</sup>Ministry of Commerce, Industry and Communication, Commerce and Industry in Kenya (Nairobi, 1961), p.2.

rearing. The land ownership is also different in these groups. In some, land is owned by clans and in others it is owned by individuals. These differences in land ownership have had an effect on land consolidation schemes, which will be discussed later.

Minority groups include Indians, Europeans, Arabs and others, whose main occupation, except for the few Europeans, is commerce. Table 1 shows the distribution of the population.

While the growth of the population as a whole has been 3 percent and over, in the ten largest urban centers the increase has been at the rate of 5.8 percent and the African population in these areas has grown at an average rate of 5.6 percent yearly. Jain has this to say:

In an economy with an excess supply of labor, one criterion for assessing performance is the excess rapidity with which the excess supply has been absorbed. Kenya functioned poorly in this respect. With the population increasing, say 3 percent per annum, and labor force probably growing at the same rate, employment was growing at an average annual rate of only 0.8 percent.<sup>1</sup>

The government is committed, therefore, to taking measures to alleviate the growing rate of unemployment. Birth control is one way in which this could be done; another way would be the establishment of manufacturing industries. The latter way is difficult in view of the fact that at present Kenya has no valuable mineral resources which could form the basis for such industries, as will be discussed later.

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<sup>1</sup> Jain, S.C., Agricultural Development of African Nations (Bombay, Vora & Co., Publishers, 1965), p.90.

TABLE 1

## DISTRIBUTION OF POPULATION

	1948	1961	1962	Estimated 1967
Africans	5,521,120	8,020,000	8,365,942	9,620,833.3
Indo-Pakistan	97,687	178,000	176,613	203,104.9
Europeans	29,666	66,000	55,759	64,122.6
Arabs	24,174	39,000	34,048	39,155.2
Others	3,325	6,000	3,901	4,486.2
Total	5,675,972	8,371,000	8,636,263	9,931,702.2

Transportation

The transportation factor in agriculture is very important. Without this, the isolated farmer on the countryside far removed from the cities and towns would be restrained with a large amount of harvest which he could not transport to the market. It is therefore imperative that transportation keep pace with the other improvements in the country if the farmers are to move their produce from the rural area to the cities. This is mainly in reference to road and rail transportation, facilities which are the major means of transportation in Kenya.

Rail transportation, does not serve the African farmers as it serves the European farmers. This is mainly because the railways were so designed to serve the Europeans better as when they were built it was the Europeans who were the main producers of the crops.

At present, Kenya classifies her transportation facilities into two main groups: bitumen roads (tar marked) and Gravel and Earth. These two classifications are then subdivided into primary and secondary roads. Primary refers to better roads connecting the main cities and towns and secondary refers to roads connecting shopping centers in the rural areas with the main roads or primary roads.

Unfortunately, most of the cooperatives, except for a few in Kiambu and Fort Hall (Muranga) districts are served by the secondary roads. During the rainy seasons as mentioned previously, these roads are impassible.

Table 2 shows the mileage of the roads of Kenya. It is worth mentioning that once agricultural produce gets to despatch centers in small towns, the problem of transportation is solved. It is essential that for the African coffee cooperatives, and tea cooperatives also, to continue to play an important role in the economy, the government consider transportation as one of the major problems to be tackled with full force.

TABLE 2

## MILEAGE OF ROADS, 1961-66

Type of Road	1961	1963	1964	1965	1966
<u>Bitumen</u>					
Primary	534	812	822	960	993
Secondary	212	300	303	321	343
	746	1,112	1,125	1,281	1,376
<u>Gravel and Earth</u>					
Primary	3,206	3,059	3,049	2,911	2,979
Secondary	6,185	6,272	6,357	6,339	6,357
<u>Minor and Administrative</u>	15,844	15,523	15,523	15,523	1,552
TOTAL ALL ROADS	25,980	26,051	26,054	26,054	26,195

Source: Statistic Division, Ministry of Economic Planning and Development.

## CHAPTER II

### GROWTH OF AFRICAN COFFEE COOPERATIVES

#### Historical Background

The concept of cooperation in Kenya as in other African countries, reaches deeply into the tradition of almost all tribes in Kenya. To show how this concept of cooperation has been a part of African society, it is worth mentioning that history reveals that tribes fought or worked together for defense against wild life or hostile neighboring communities, worked together to clear land for cultivation and planted subsistence crops; worked together to build houses or any other work which required large group participation. One of the dominant factors, in all these communal functions was the existence of a feeling of mutual obligation with the knowledge that each person in the community derived some benefits from whatever was undertaken. This then provided a feeling of fellowship and a sense of participation in the daily life of the tribe, clan or home-stead, which are the common forms of organization in an African society.

As primitive as this may appear in the modern way of looking at cooperatives -- whereby a charter has to be acquired, constitution and by-laws formulated -- the idea of cooperatives in an African society is as old as history.

The history of coffee cooperative movement began as early as

1908 with the European settlers; at this stage the movement confined its activities in marketing agricultural crops such as coffee and maize which were exclusively grown in large quantities by Europeans. The movement continued to expand but significantly remained European in character (in that Africans were not participating in the movement. Many of the European societies were later consolidated to form the Kenya Farmers Association (cooperative) Ltd. to market cereals and deal in general farm supplies to European participants.

In 1932 the K.F.A. was incorporated and registered as a cooperative following the passage of the Co-operative Society Act in 1932. Other cooperatives which followed included, Kenya Planters Co-operatives (KPC) and the Kenya Co-operative Creameries (KCC) which were also European in character.

The history of the African coffee cooperatives began twelve years after the Co-operative Society Act of 1932. In 1944, a British colonial expert on cooperatives was sent to Kenya to investigate the feasibility of cooperatives. As a result of his findings he recommended that the Department of Co-operatives be set up with the responsibility of promoting and supervising the development of the movement. His recommendations formed the basis for the enactment of the 1945 Co-operative Act and rules which were partially suited to the needs of African Cooperatives.<sup>1</sup> Thus, shortly after setting up the departments, its efforts culminated in creating and stimulating interest for cooperatives among African farmers and consequently about

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<sup>1</sup> Sheila, Gerst, Co-operative Organization in Tropical Countries (Oxford, 1959), pp.201-15.



200 cooperatives came into existence in the following two years. By the end of 1958 there were over 400 farmers cooperatives with a total membership of about 1,100 grouped in 15 regions with a total turnover of produce of over £1 million.

Thus, it is clear that the power of cooperative activities increased considerably, particularly in the five years preceeding independence in 1963. One reason for this increment was due to the fact that during the state of emergency, i.e. from 1952-1960, thousands of workers in the urban areas were returned to their rural areas where the only way of making a living was farming.

Since independence, the African government introduced cooperative settlement schemes whereby African farmers have been settled on land previously farmed by Europeans, and in addition collective farming cooperatives were introduced, i.e. groups of people raise money and purchase large farms. By June, 1966, there was a total of 97 new cooperatives in settlement schemes and 364 collective farming cooperatives. All in all, during the aforementioned period there were 1,098 agricultural cooperatives and 179 other types -- thus, making a total of 1,277.<sup>1</sup> It is clear that the number of cooperatives has increased five times between 1946 and 1966.

The first African Co-operative Society in Kenya was formed in 1944 under the registered name of Kenya African Farmers and Traders Co-operative Limited. After 1946, some other cooperatives in the country started and they increased tremendously. Between 1951 and

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<sup>1</sup>Ministry of Cooperatives and Social Services, The Cooperative Structure and Movement in Kenya (Nairobi: Kenya Government Printer, 1966), p.2.

1956 the number of African coffee growers increased from 5,000 to 30,000. For instance in 1953, there were 15,019 African coffee growers, in 1955 the number was 24,436. Between 1951 and 1956 the establishment of cooperative societies to collect and market agricultural produce was going on steadily and by the end of 1956 there were 320 cooperative marketing societies in the African rural areas. It is worth noting that even though the Africans were eager to manage their cooperatives, the government, particularly during the emergency, i.e. between 1956 and 1960, encouraged the function of cooperatives under the direction of Europeans. In this way the government would know the financial situation of the cooperatives and control their growth instead of it remaining in the hands of its members.<sup>1</sup>

At this juncture, it may be mentioned that even before the state of emergency, African cooperatives were subordinate to European cooperatives. The goods produced by Africans had first to be sold to European cooperatives working with the government in produce control and marketing.<sup>2</sup> Financially the mediation meant a loss and also the African produce lost its identity. As a result, of their agricultural contribution was not recognized even though in yield per acre and quality the African was superior to the European and commanded a higher price. This discouragement was not without good results.

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<sup>1</sup>Koinange Mbiu, The People of Kenya Speak for Themselves (Michigan: Kenya Publishing Fund, 1955), pp.15-25.

<sup>2</sup>Ibid., p.21.

The formation of the first African Bank in 1944 in Kenya (Mumbi Kigina Limited) was the result of government discouragement of African efforts to increase productivity. However, when the state of emergency was declared in 1952, the first act of the government was to close all African -- particularly public-owned enterprises -- thus suppressing all African activities. For a short period the idea of cooperatives died, until 1956 when reorganization under the Swynnerton plan started. Under the emergency Africans were not allowed to visit the city where could open up their banking accounts or even draw their previous savings. This weakened the cooperative movement until some years later.

In the previous pages of this chapter, an account has been given of the historical development of the coffee cooperatives in Kenya. Attention is now focused on the central organization pattern of these cooperatives.

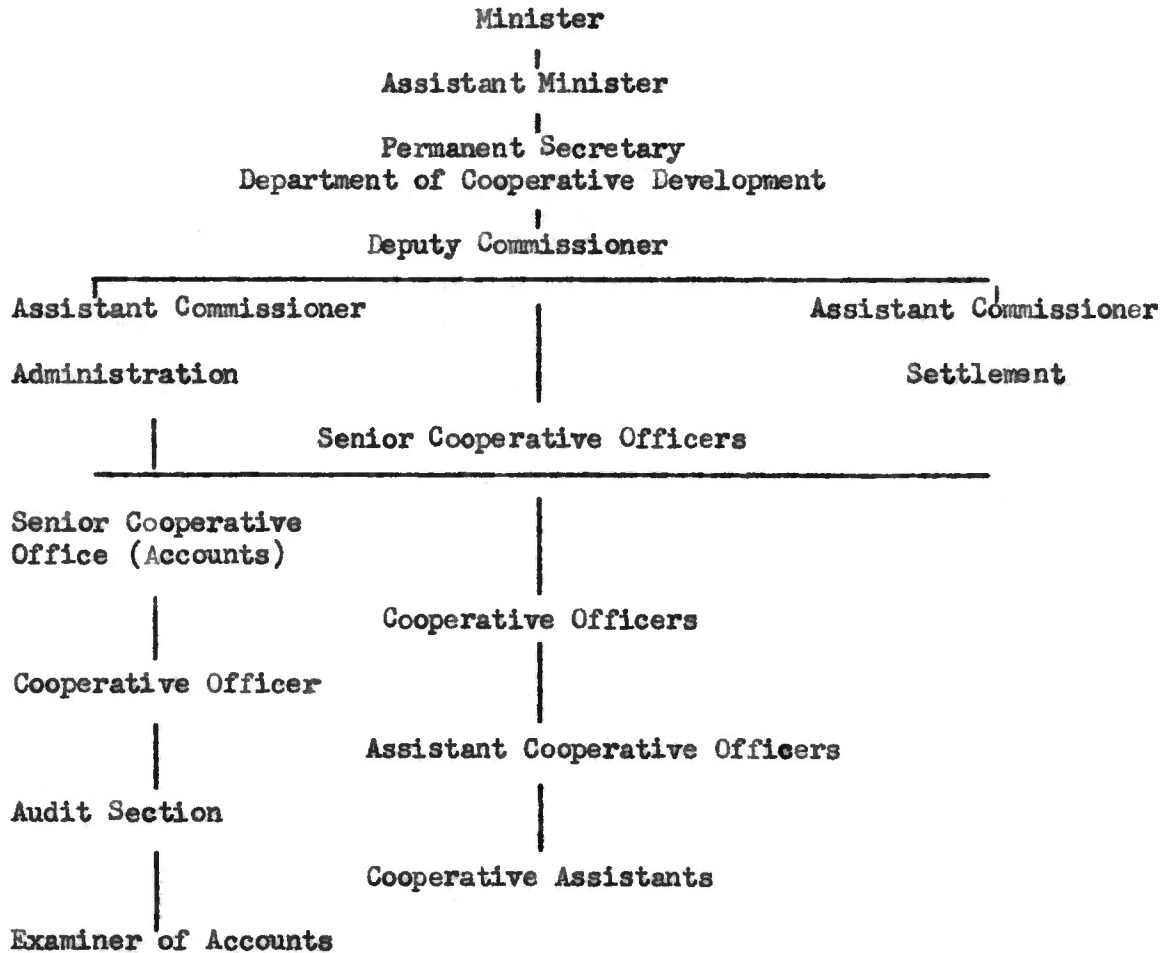
#### Organization Pattern

The African cooperatives come under the jurisdiction of the Ministry of Co-operatives and Social Services which is led by a minister appointed by the president. This is a political post. The administrative structure is shown in Figure 1.

Dealing directly with government officials in the central organization pattern are the cooperative officers in each unit. Each unit represents farmers in a locality and is composed of the chairman, secretary, treasurer and the committee members. These serve as middlemen between the members of the cooperatives and the government

FIGURE 1

MINISTRY OF COOPERATIVES AND SOCIAL SERVICES



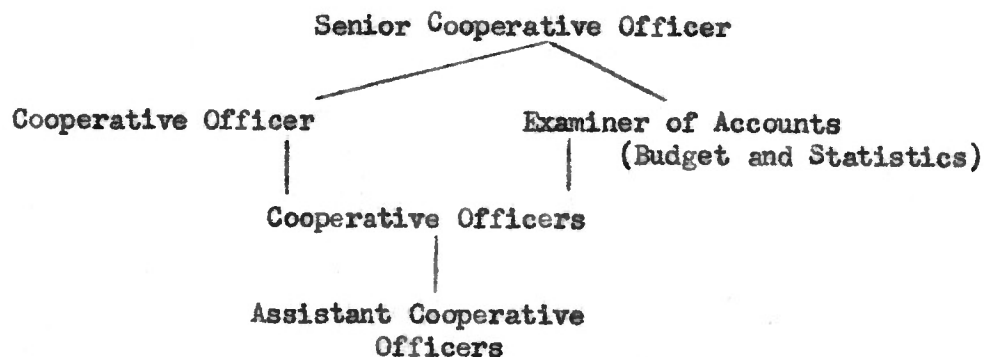
Source: Republic of Kenya, The Co-operative Society Act, 1966. No.39  
(Nairobi: Government Printing Press), pp.6-12.

cooperative officers. The regional and district organization is shown in Figure 2.

Before discussing the organization pattern of the cooperatives

FIGURE 2

REGIONAL AND DISTRICT ORGANIZATION



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Source: The Co-operative Society Act, 1966, op.cit.

it is worthwhile to discuss briefly the legal framework under which these cooperatives operate.

Registration.--- Subject to the provision of 1966 Act, a society that has for its objective the promotion of the economic interest of its members in accordance with cooperative principles, and which in the opinion of the cooperative commissioner is capable of promoting these interests, may be registered if it consists of at least ten persons all of whom are qualified for membership of the society of cooperative under Section 14 of the Act, which states that a member must be at least 18 years of age and is a resident or occupies land within the society's area of operation as may be described in the relevant by-

law.<sup>1</sup> The Act also gives powers to cooperative commissioners to dissolve cooperatives which are found to be uneconomical. In addition, it provides for the settlement of disputes within the membership, payment of dividends, etc.

Organization pattern.-- The cooperative organization pattern found in Kenya is that of one or more specialized unions in a district depending upon the type of agricultural commodities in that particular district. To facilitate selling and transportation, the cooperatives handle the marketing of produce for all affiliated primary cooperatives in the district. The number of primary societies in a district may be as many as 25. In order to ensure an efficient procedure of handling the agricultural crops, particularly coffee, the government has adopted a policy whereby in areas where more than one union exists, all be consolidated into one, small unviable cooperative to merge into large and more viable units.<sup>2</sup> In addition to district unions, there are countrywide cooperatives with a larger area of operation within the country and to which district unions and societies are members and which as agents for the sale of the cooperative produce which is channelled through district unions. The apex cooperative unions which are members of the national body union, the Kenya Federation of Cooperatives Limited, include the Kenya Planters Cooperative Union -- which is an agent of the Kenya Coffee

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<sup>1</sup>Co-operative Act, op.cit., p.11.

<sup>2</sup>Ministry of Commerce and Industry, Development of Cooperative Movement (Nairobi: Kenya Government Printer, 1964), p.5.

Marketing Board.<sup>1</sup> Members control the primary societies and in turn the primary societies control the unions. The national level organizations such as the Kenya Planters Cooperative Union provide processing and marketing services for district unions and for primary societies where no union exists. In a district level, the primary societies are restricted to handling only one crop. The effect of this type of organization at local level has been the formation of as many as four different societies to serve the same area. Thus the farmer who produces, let us say coffee or maize, for disposal is compelled to pay for a share in each of three separate primary societies. Consequently, there is a duplication of effort which invariably results in the farmer having to pay more than he should pay to have his produce sold. To avoid such duplication of effort, it is feasible that where possible one society should handle a diversity of crops and that the farmer should be a shareholder of one organization only. Multi-purpose or multi-crop societies of this type have been introduced on settlement schemes; obviously, where one society supplements three or four, it should be possible to afford better service. Although the emphasis has been that cooperatives should handle a diversity of crops, major crops such as coffee are likely to continue to require mon-crop primary societies.

#### Other Types of Agricultural Cooperatives

Having dealt with coffee cooperatives, which, according to 1965

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<sup>1</sup> Ministry of Co-operatives and Social Services, The Co-operative Structure and Movement in Kenya (Nairobi: Government Printing Press, 1966), p.2.

export statistics accounted for 40 percent of the total exports, attention is now focused on some other important agricultural cooperatives.

Pyrethrum.-- This is another valuable cash crop which is mainly produced on the highlands in Rift Valley and the western region. For many years until recently, this crop was grown largely by Europeans. Lately the Africans have started growing it in a small scale. It is important to note that Kenya supplies the bulk of the world's requirements for pyrethrum and therefore the crop plays an important role in the economy.

According to a 1966 report issued by the Ministry of Co-operatives and Social Services, licences for growing pyrethrum were issued to 60 African cooperatives, which delivered the produce on behalf of approximately 35,000 African growers who formed the aforementioned cooperatives. Just to show how the Europeans dominated the production of pyrethrum, the 1961 statistics show that there were 1,100 Europeans owning 45,000 acres of land, whereas there were 26,866 African growers owning 21,854 acres of land. Since pyrethrum produces harvest in the first year after the seeds are sown, its value as a rapid cash crop is of vital importance to the economy and therefore the government should make every effort to encourage Africans to grow this crop. Production figures and prices paid in recent years are shown in Table 3.

Pyrethrum, like coffee and other crops which have cooperatives, is collected by cooperatives, passed through district cooperatives,



TABLE 3  
PYRETHRUM PRODUCTION AND PRICES

Year	Quantity	Price/ton	Value ( in £)
1955/56	4,300	293	1,259,000
1956/67	3,800	292	1,109,600
1957/58	4,500	288	1,296,000
1958/59	4,800	285	1,368,000
1959/60	6,500	303	1,969,500
1960/61	9,100	314	3,075,361
1961/62	10,700	223	2,386,100

Source: Kenya: An Economic Survey (Nairobi: Barclays Bank, D.C.O., 1964), p.14.

and passed onwards to the pyrethrum board which acts as a selling agent for all cooperatives. Kisii district in the Western region produced about 75 percent of the total produce for the country. Briefly, on the organization and legal framework, pyrethrum cooperatives are governed by the same laws and regulations as coffee cooperatives.

Tea.--- Tea in Kenya until a few years ago was almost exclusively a European grown crop. Most of the estates were owned by large companies in view of the high capital outlay involved in providing factories.<sup>1</sup> Kericho district located in the Rift Valley has been

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<sup>1</sup>Ibid., p.1.

the center of tea production in Kenya. Other European tea estates are at Nandi Hills, Sotik, Liumru and Kitale.<sup>1</sup> Extensive planting of tea has recently taken place in the African land units primarily in the Nyeri and Meru areas around Mount Kenya. This has resulted in the formation of tea cooperatives whose organization pattern is basically the same as that found in the coffee cooperatives.

In recent years great attention has been given to plans for acceleration of tea-growing by African small holders who come under the Special Crops Development Authority (SCDA).

To increase productivity, the government should try as much as possible to encourage tea production by Africans. The importance of tea as a cash crop in an agricultural country like Kenya is that there are no large stocks overhanging and threatening the world tea market. On the whole, there has been a reasonable balance between supply and demand for many years and tea prices have shown greater stability than those of most other primary commodities.<sup>1</sup> Kenya's output of 30 million pounds of tea for 2 or 3 percent of the world production thus, in view of the fact that this is another crop which has a good share in the world market, there is scope for further expansion of the country's tea production. From the employment point of view, tea plantations employ approximately 9 percent of the total Kenya labor force, which is of great economic significance.

According to the estimated figures given by the International Bank for Reconstruction and Development, tea production is shown in Table 4.

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<sup>1</sup>International Bank for Reconstruction and Development, The Economic Development of Kenya (The Johns Hopkins University Press: Baltimore, 1963), p.121.

TABLE 4

## TEA PRODUCTION, 1962-67 (in million L)

Years	African Production	European Production	Total Production
1962-63	1.20 million lbs.	35.46	36.66
1963-64	2.00	37.50	39.50
1964-65	3.23	38.70	41.93
1965-66	4.83	39.28	44.11
1966-67	7.01	39.68	46.69

Source: Statistic Division, Ministry of Economic Planning and Development.

Looking at these figures one will undoubtedly see that the African rate of producing tea has been increasing at a higher rate than that of the European rate. One of the recommendations made by the commission set up by the IBRD was that of increasing the new plantations owned by Africans by 12,300 acres, which would give a total of 23,250 acres of African grown tea. This, according to the commission, other things being equal, would raise production eventually to around 23 million pounds, which, at a price of sh.3.8 per pound at the Nairobi auction, would have an added value of £2.3million per annum.

To conclude, the rate at which Kenya is going to develop will depend largely on how fully the Africans participate in production of the major crops. The government has and still is doing everything possible to encourage this participation but owing to financial

difficulties, lack of trained personnel, it has not been able to do most of the things that should have been done.

It is worth mentioning here that such crops as sisal, cotton, wheat, etc. play an important role in the economy, but these crops will not be discussed in this study. Having dealt with agricultural produce, attention will be focused now on the livestock dairy produce which contributes significant to the gross national product of the country.

Livestock.-- The Kenya Cooperative Creameries Limited is the main body which for many years has handled the dairy products from its European members. However, the introduction of grade cattle (non-native) after independence has made African farmers form cooperatives in settlement areas and in the reserves. It is worth mentioning that at the present time there are about 50 African registered dairy cooperatives in the country. The Kenya Cooperative Creameries which is the main organ of the dairy produce, collects milk through agents, processes it and ultimately sells the product. The Kenya Cooperative Creameries own nine creameries, that is plants where milk is processed to obtain butter, ghee or cheese. It also has five sales depots -- through which the dairy products are dispatched to the distributors. Other activities of the Cooperative are the production of skim milk, milk powder, condensed milk and ice cream.

As far as the dairy industry is concerned, since most of the large livestock pastures are owned by Europeans, there is no doubt that the potential for expansion is large, particularly on the

African side.

Milk production is generally low for both African and European cattle; an attack on the technical problems of breeding, legumes, etc. which affect milk production should bring good results in future years. According to the United Nations Food Administration Organization of 1958, the average milk yield per cow in gallons was 634 in the United Kingdom, it was 578 in New Zealand, 368 in Australia and 229 in Kenya, which suggests that something must be done to improve milk production. Also, according to an economic survey conducted by Barclays Bank D.C.O. in Nairobi, total supplies of dairy produce in 1963 accounted for £3,165,605. Africans contributed almost one third of this amount. Meat production is another important sector of dairy produce. Tables 5 and 6 show dairy production and livestock purchases from Africans and Europeans by the Kenya Meat Commission.

There are other products of dairy produce such as hides and skins. The greater part of these come from African suppliers and therefore a notable improvement in preparation and quality has occurred over the past ten years. The value of exports in recent years shown in Table 7 is given in £ (pounds).

Included also in the dairy produce are bacon and egg cooperatives. By 1966 there existed in Kenya about forty cooperatives which supplied their pigs to the Pig Industry Board for the manufacture of bacon, but, due to the heavy fall in the international prices of bacon, these cooperatives had to close down and consequently were forced to dispose of their produce in local markets. The author feels that these

TABLE 5

## DAIRY PRODUCTION IN GALLONS

Year	Wholemilk Sales	Milk Used for Cheese pro- duction	Butter Production	Ghee Production
1959	8.341	2,486	12.787	1.279
1960	8.774	2,968	11.796	1.496
1961	9.386	2,668	12.124	1.321
1962	9.882	3,692	11.858	1.519
1963	9.568	4,118	11.278	2.385

Source: Statistics Division, op.cit.

TABLE 6

## LIVESTOCK IN THOUSANDS

Year	Non-African owned		African owned	
	Cattle	Sheep	Cattle	Sheep
1954	46.4	37.0	29.7	105.2
1955	46.3	38.7	42.9	101.6
1956	50.8	32.2	34.4	128.6
1957	53.5	32.3	24.1	115.2
1958	81.9	34.6	25.3	130.2
1959	90.8	48.1	43.5	108.4
1960	100.8	56.3	53.8	104.5

Table 6 (continued)

Year	Non-African owned		African owned	
	Cattle	Sheep	Cattle	Sheep
1961	115.9	65.5	58.9	89.5
1962	110.0	67.9	62.3	120.9

Source: Statistics Division, op.cit.

TABLE 7

## HIDES AND SKINS EXPORTS

Year	Cattle Hides	Other Hides and Skins
1954	759,217	667,681
1955	586,704	715,576
1956	607,514	518,125
1958	563,612	456,459
1959	840,544	743,718
1960	1,078,776	671,522
1961	1,058,902	523,464
1962		1,365,511

Source: Statistics Division, op.cit.

cooperatives should be revived for efficient operation in the local markets.

The Impact of Coffee Cooperatives and Other Crops  
Cooperatives on the Economy

It has been indicated earlier that Kenya relies primarily on agricultural produce and that its rate of growth, therefore, will depend very much on how efficiently the cooperatives operate to attain the desired goal of a higher standard of living. Before discussing the impact of the cooperatives on Kenya's economy, it is necessary to discuss the Swynnerton Plan which paved the way to participation by African in agricultural produce. A delegation from the United Kingdom branch of the Commonwealth Parliamentary Association visited Kenya early in the 1950's and recorded in its report its opinion that "unless the African land can be made to play a full part in agricultural production, particularly of cash crops export, the economy of Kenya cannot possibly hope to support even the natural growth of the existing social services such as education; nor can its industry expand to increase its own productivity, while paying satisfactory wages to urban workers, unless the Africans are gradually allowed to participate fully in the production of agricultural produce."<sup>1</sup>

The direct impact of coffee cooperatives and other crops may be stated as follows:

Income:-The general level of income since the Africans started participating in agricultural cooperatives has risen substantially,

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<sup>1</sup>Her Majesty's Stationery Office, Colonial Office and Protectorate of Kenya, 1955 (London, 1955), p.15.



figures of the value of exports will indicate this clearly. The rise in the general level of income has had direct effects on the standards of living and education. Up to now it is interesting to note that the government has been depending on its revenue largely from the cooperatives of the agricultural crops and livestock, which account for approximately 80 percent of the Gross National Product. Just to show how effective the African cooperatives have been -- in 1957, African produce was £ 1,100,000 million, in 1962, it was £4,499,000, and in 1963 roughly £10 million, which is 16 percent of the total agricultural produce.

Level of Employment.--- As has been indicated the formation of cooperatives has elevated the level of employment. Tea cooperatives alone employ approximately 9 percent of the total Kenya labor force.

Production.--- A large increase in the volume of agricultural produce has resulted. This as mentioned earlier has favorably affected the income of the farmers. By 1970, it is expected that the total value of crops and livestock marketed through cooperatives will approach £45 million - £50 million per year.

Education.--- Through the coffee cooperatives, many rural communities have been able to establish secondary schools known as "Harambee Schools" which are financially subsidized by the local governments, i.e. the African District Councils. It is obvious that the cooperatives are playing an important part in raising the level of literacy. From the farmers' point of view, through the

agricultural cooperatives schools have been established which provide instructions on good farming methods, which embrace methods of farming and pest control measures.

Transportation.-- The function of the cooperatives has resulted in efficient transportation systems. In some areas cooperatives' members have contributed significantly in macadamizing roads which normally during the rainy seasons have been impassable. In addition through self-help, schemes for construction of roads which have facilitated the collection of agricultural produce have been initiated.

Tables 8 and 9 give a clear picture of the impact of the African coffee and other cooperatives on the economy of Kenya.

TABLE 8

PRINCIPAL AGRICULTURAL EXPORTS FROM KENYA,  
1960-61

Items	Value	Percentage	1961 Value	Percentage
Coffee	10,260,900	33	10,608,600	34
Pyrethrum	1,006,200	-	808,500	-
Pyrethrum Extracts	2,019,100	6	2,266,900	7
Meat	1,845,200	5.5	2,283,300	6
Butter	734,500	-	616,900	-
Hides and Skins	1,755,700	6	1,582,400	5

Source: Statistics Division, op.cit.

TABLE 9

AGRICULTURE AND LIVESTOCK -- CASH REVENUE TO  
PRODUCERS, 1958-1960

Items	Revenue	Percent 1958	Revenue 1959	Percent 1959	Revenue 1960	Percent 1960
Farm Crops	£29,947,000	75	30,618,000	76	35,242,000	74
Livestock	6,568,000	15	6,955,000	14	7,355,000	14
Dairy Products	4,235,000	10	4,643,000	10	4,897,000	12
TOTAL REVENUE	40,750,000	100	42,296,000	100	47,494,000	100

Source: Statistics Division, op.cit.

## CHAPTER III

### LAND

#### Agriculture Organization

For many years up to the present, agriculture has been divided into two distinct sectors, formerly the European and African areas and now referred to as the scheduled and nonscheduled areas. The proportion of commercial production, until recently, came from a relatively small number of European and Asians, of which there were 3,600 in 1961, and the gross income was £35.9. The corresponding figures for the nonscheduled areas, covering an estimated 950,000 African farms, was £10.4 million. Until recently, the subsistence production by the indigenous tribal communities had existed side by side with the cash production introduced by the immigrants. Today, the economy is described as possessing a dual character whereby the two patterns of production coexist.<sup>1</sup>

Before discussing the organization pattern of agriculture, the author wishes to discuss some of the developments which took place before the Swynnerton Plan, which advocated the improvement of African agriculture.

In 1945, the African Land Development Organization was established by the Colonial Office with a £3million grant allocated for the recon-

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<sup>1</sup>Wakiaga Abraham Apollo, A Brief Inquiry into Current Problems of Economic Growth(unpublished Master's thesis, School of Business Administration, Atlanta University, 1964).

ditioning of African areas and for African settlement under the Ten-Year Development Program. The plan, having accomplished very little, was reviewed and subsequently was replaced by a five-year plan which came to be known as the Swynnerton Plan. Swynnerton was by then the Director of Agriculture in Kenya. The five-year plan envisaged the expenditure of £ 7 million on the intensification of African agricultural development. This plan embraced various measures to raise output in African areas, such as the consolidation of holdings, farm planning and the expansion of cash crops and provision of water supplies. The plan worked most successfully in some areas, particularly in Kikuyu areas in the Central region where land consolidation results were very promising.

The land consolidation system involved bringing together fragmentations of individual holdings into one manageable land unit. Before land consolidation it was not uncommon to have as many as thirty pieces of land scattered over an area of several miles, which made it impossible for efficient farming. In the Kiambu district, north of Nairobi, by 1956, fragments had been gathered on 65,000 acres. Thus the achievement of land consolidation vastly increased the demand for farm planning services to enable the farmer to develop a planned and economic farming system. This was due to the efforts of the Ministries of Cooperatives and Social Services and of Agriculture, Land and Natural Resources for the efforts which they made and are still making. There is no doubt that once land consolidation has been accomplished in all areas, the contribution of Africans to

the agricultural produce will be much greater.

Focusing attention on the land ownership, it is important to mention that most of the farms in scheduled areas are owned by Europeans and cover a total area of approximately 11,700 square miles as compared with 52,000 square miles reserved for Africans, and there are over 3,000 farms of which 1,000 are smaller than 500 acres each, 1,300 farms are between 500 and 2,000 acres each, and 700 are larger than 2,000 acres.<sup>1</sup> The last group which occupies vast areas are mainly used for cattle and sheep rearing. The Masai land, some parts of Rift Valley are good examples of such areas. A large area of Kenya is good for mixed farming, i.e. livestock rearing and cultivation of crops such as wheat, barley and oats, which are consumed locally and exported to the neighboring East African countries.

To summarize the organization of agriculture, it ranges from large pieces of acreage for producing major crops -- coffee, tea and cattle ranches to small stretches of land where peasants grow crops for subsistence needs. However, it should be noted that within the past decade the most spectacular development in Kenya's agriculture has been the great increase in the amount of cash crops grown by Africans in the more fertile areas.<sup>2</sup> It is needless to mention that a great deal of this improvement can be attributed to the Swynnerton Plan.

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<sup>1</sup>British Information Service, op.cit., p.16.

<sup>2</sup>Ibid.

### Land Settlement Schemes

When discussing the land settlement schemes, it is necessary to discuss briefly the Africans' land grievances. The Africans had always protested the government's policy of reserving the most fertile land in the highlands for Europeans, leaving the less fertile land to the Africans, classified by the native land trust as the "native land reserves." In 1953, the British government sent out the Troup Committee to make an inquiry into the general economy of the "white highlands." In its report, the Committee revealed that more than 50 percent of the highlands was not utilized, and therefore the land which was not utilized should be allocated to the Africans. The settlers and the Kenya government responded by saying that it was necessary to bring in more European farmers and no mention was made of Africans. Such then was the attitude of the Europeans towards the indigenous Africans.<sup>1</sup>

The land settlement schemes in Kenya had three major aims. First, to provide mechanized farming in the settled areas through loans to purchase tractors, implements, seeds and other farming supplies. Secondly, and the most import, to resettle the African peasants and their families from overpopulated regions, particularly from the Central and Western regions. Lastly, to enable African farmers to produce food surplus to meet the local needs and exports, and, more importantly, to reduce the growing rate of disguised

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<sup>1</sup>Tom Mboya, The Kenya Question: An African Answer (Fabian Colonial Bureau: London, September, 1956), p.14.

unemployment. This situation of disguised unemployment has prevailed in many regions because the piece of land owned by the family has been too small to keep all the working members of the family fully employed throughout the year. Under the Land Settlement Schemes, the government, in the seven-year plan ending in 1970, plans to resettle 40,000 Africans on one million acres of mixed farming land. Twenty-five families occupying an area of roughly 800 acres of cultivated or cultivatable land will be the goal they hope to attain.

To facilitate the development of the settled areas the African Land Development Board grants loans to prospective African farmers. The money to carry on the resettlement came from various sources, a portion being contributed by the British government in the form of grants and loans and the other portion by the West Germany government. It is hoped that when these land settlement schemes are completed, the income of the African farmers will amount to £ 25 to £100 per annum. These dreams have begun to materialize.

The other phase of the land settlement plan is land consolidation and the demarcation of small holdings. As mentioned before, this involves gathering individual pieces of land into one arable piece of land. The effects of land consolidation and demarcation have been significant in the production figures, particularly in the Central region. By 1964, production consolidated areas had increased by 15 percent.<sup>1</sup>

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<sup>1</sup>International Bank For Reconstruction..., op.cit., p.77.



Just to show how the land settlement schemes have progressed -- according to 1966 statistics, more of the land from former European farms has been planned and allocated to individual African farmers or groups (See Table 10).

TABLE 10

## LAND SETTLEMENT SCHEMES, 1962-1966

Year	Acreage	Plots Allocated
1962-63	174,792	5,197
1963-64	324,782	10,038
1964-65	236,681	8,682
1965-66	81,399	4,343

Source: Ministry of Lands and Settlement.

Politically speaking, land settlement schemes may appear to be the solution to the current economic problems, but one limitation that may be associated with them is that the deliberate replacement of large scale production with small scale production may ultimately cause a waste in capital and lead to the adoption of less efficient forms of production and a consequent fall in production.

Another problem is that since a large part of the money spent on the settlement plans are loans carrying 6½ percent interest, if the farmers fail to repay their loans due to crop failure or other natural hazards, the Kenya government may be called upon by the lending countries to pay deficiencies out of its own treasury. This in

itself would retard development in other sectors.

### Irrigation Schemes

Irrigation schemes were initiated originally during the Mau Mau emergency to provide work for detainees<sup>1</sup> (that is, Africans who were held by the government in concentration camps because of being ardent participants in the Mau Mau uprisings). The scheme started with two major undertakings, one at Mwea Tebere in the Embu district, where 5,000 acres were made into rice plantations, thus providing 1,250 formerly landless Africans with a very reasonable living. The other project is at Perkarra Baring occupying an area of 1,600 acres. Two other minor projects at Galole, on the lower Tana, where a project of 1,200 acres has been developed in rice production, and on the Kano Plains, which according to the United Nations assessment has potential of roughly 30,000 acres which may be suitable for sugar plantations as well as rice.

The results of irrigation have shown very promising results, an acre of rice plantation has been able to provide a net income of £30.25 a year discounting the value of family consumption. Besides offering employment and resettlement opportunities, irrigation schemes in Kenya have shown that the African families with experience in dry land farming can adapt themselves to efficient production under irrigation schemes.<sup>1</sup>

The assessment of Kenya's irrigation potential shows that irrigated schemes would be distributed as shown in Table 11.

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<sup>1</sup>Apollo, op.cit., pp.21-23.

TABLE 11

## IRRIGATION SCHEMES

<u>Rivers</u>	<u>Acreage</u>
Upper Tana-Mwea Project	93,000
Lower Tana-Galole Project	400,000
Kenya-Nile, Kano Plains Project	253,000
Ewaso Nyiro	75,000
Arthi River Basin	75,000
Lumi Basin Taveta	20,000
Malawa and other catchments	<u>80,000</u>
Total	1,096,000

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Source:

So that Kenya may increase the acreage of arable land, it is desirable for the government to consider very seriously the possibility of extending irrigation schemes to the arid region of the Northern Province where Lake Rudolf may supply water for irrigation. Other areas requiring similar consideration are the Masai and Machakos areas.

Even though the irrigation schemes have shown a promising future, there are obstacles which are to be faced. First, there is the attitude of the people. In some areas, cultivation and grazing are communal (that is, the land is owned by a clan, and,

therefore, development under irrigation will involve reallocation of land rights and land property boundaries). Second, with the exception of the Tana River and Athi River and the Ewaso Nyiro River, most of the other rivers cannot provide a flow of water all year for irrigation. Hence it is necessary that irrigation schemes be confined within areas served by the aforementioned rivers as well as Lake Victoria and Lake Rudolk regions. The last and most acute obstacle is finance. The International Bank for Reconstruction and Development has played an important role in these schemes to date.

## CHAPTER IV

### THE GENERAL ECONOMIC GROWTH OF KENYA

#### Industrial Sector

Manufacturing industries in Kenya were set initially to process agricultural products. The development of agricultural production following World War II promoted a complementary expansion of processing factories and at the same time the establishment of a number of light industries to supply the internal market.

The extent to which the industrial sector has contributed to economic growth is clearly indicated by the fact that the net domestic product increased from 8.5 percent in 1947 to 13.8 percent in 1958.<sup>1</sup> In other words, during the same period, while domestic income increased 3.3 times, the contribution by manufacturing industry increased 5.4 times.

At present industries in Kenya may be grouped into two general sectors, namely mining and manufacturing industries. The latter includes such sectors as repairing building and construction, and industries engaged in processing local agricultural products or manufacturing consumer goods. Kenya had many establishments for the repair of machinery and equipment, but industries manufacturing

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<sup>1</sup> Ministry of Commerce and Industry, op.cit., p.22.

capital goods were of little importance.<sup>1</sup> The author wishes to stress the importance of mining and manufacturing industries because they are the basis for the future industrial expansion.

Mining.-- The country's mineral resources are not fully exploited, but by the end of 1962 approximately 146,000 square miles, or 65 percent of the area of Kenya, was geologically surveyed and mapped. At present two oil prospectors are actively exploring for oil in the northern province and the coastal region. Their explorations so far show that there may be possibilities of finding oil in these regions.

It is worth pointing out that Kenya's recent experiences with mining operations have been very discouraging. From 1940 to 1960, gold production decreased from £500,000 a year to barely £100,000 a year. In 1952, the country's largest gold mine was exhausted and five years later another important producer of copper ceased operations due to the inadequacy of the mineral deposits and high costs incurred in mining the small quantities available.

Though minor deposits continue to be reported, there are indications that gold will not make any significant recovery in the next few years. However, despite the negative results in mining, such minerals as soda ash, cement, asbestos and kaolin seem to be promising.

According to the 1966 statistics released by the Ministry of Economic Planning and Development, there has been a great deal of

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<sup>2</sup>International Bank of Reconstruction..., op.cit., p.151.

fluctuation in mineral production. In 1959, the total value of minerals produced was 2.802.7, in 1960, 2.464.4, 1961, 2.749.7, 1962, 2.373.2, 1963, 2.471.5, 1964, 2.286.4 and 1965, 2.518.5 (See Table 12). Despite the discouraging results of minerals, the government should maintain positive policies towards the minerals sector of the economy. The policies should include the continued efforts of the government to encourage further exploitation for not only gold and copper but also extensive exploration of coal, iron and petroleum. The latter is of prime importance in that Kenya now has an oil refinery which processes petroleum for the East African countries.

Tourism.--- Besides mining, manufacturing and repairing industries, the author wishes to submit that the tourism industry has been and can be made to be a more lucrative industry in the economy if the government exerts every effort to promote it. Tourism has become a significant industry in Kenya, and adds to the diversity of economic activity. The country's wild life, its climate and range of scenery have been attracting foreigners since its discovery. The United Nations Commission suggests that since there are considerable opportunities for the international tourist in Kenya, government policy should be directed toward its active encouragement. This is supported by the fact that in 1962, of 60,000 who visited East Africa, 40,000 chose Kenya as their point of arrival.<sup>1</sup>

Kenya's range of scenic attractions, its beaches and mountains, the Rift Valley, a varied and pleasant climate, the numerous natural

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<sup>1</sup>Kenya, Economic Survey, op.cit., p.21.

TABLE 12

MINERAL PRODUCTION, 1960-65  
(Value figures rounded in 1000)

Mineral	1960	1961	1962	1963	1964	1965
Soda Ash	1,410.3	1,584.9	1,346.5	1,283.6	887.9	895.9
Copper	412.7	583.0	505.0	504.7	654.7	868.3
Salt	166.8	183.5	150.5	278.1	295.9	349.2
Lime and Limestone	167.5	106.1	109.6	97.4	94.4	109.9
Diatomite	51.7	47.6	41.1	59.2	71.9	49.2
Carbon Dioxide	47.7	44.2	30.6	54.2	59.2	60.5
Silver	11.8	14.1	20.3	25.2	22.3	9.6
Asbestos	3.5	4.5	6.1	1.9	6.5	3.3
Meerschaum	3.3	0.2	-	0.7	0.9	0.9
Magesite	0.1	4.3	-	0.5	0.7	0.3
Vermiculite	2.5	-	0.1	0.1	0.7	0.3
Pumice	1.7	1.2	0.3	-	0.4	0.3

Source: Mining and Geological Department Statistical Abstract, 1966.

and recreation spots all offer a potential attraction to tourists difficult to match in any other region of the world. With the growth of international sea and air travel, and having in Mombasa a first class seaport and Nairobi an excellent international airport, the accessibility of most of Kenya to tourists from all over the world is assured. Thus, Kenya's warm natural attractions for the



tourist provide a good chance for the development of tourist services. Figures in Table 13 show the number of people who came to Kenya between 1961 and 1965.

TABLE 13

REPORTED VISITORS AND PERSONS IN TRANSIT  
1961-65

	1961	1962	1963	1964	1965
Persons in transit	18,138	24,561	27,419	31,215	35,119
Visitors on business	7,107	7,325	9,591	9,217	11,134
Visitors on holiday	14,577	15,615	21,806	22,363	32,351
Other visitors	2,213	2,419	2,536	2,637	2,844
TOTAL	42,035	49,920	61,325	65,432	81,648

Source: Kenya, Economic Survey, op.cit., p.21.

The figures show an increasing trend of the visitors who come to Kenya for all reasons. What is needed, therefore, are facilities to serve and accommodate these visitors. The government, therefore, must make every effort to develop roads to the interior and game reserves. The most important of all accommodation facilities, lodges, motels and hotels, must be built to cater to the increasing number of tourists. A report by the Minister of Economic Planning and Development shows that in recent years Kenya had an estimated income of K10.8 million from tourism. It is clear that the income can be increased if tourism facilities are adequate.

Manufacturing.--- As mentioned previously, before World War

II there was little industrial development in Kenya, apart from the processing of agricultural produce, namely coffee, sisal, pyrethrum and wheat and such old established undertakings as the manufacture of sodium carbonate, wattle extract (used for tanning and for making roads) and production.

World War II promoted a complementary expansion of processing factories and the establishment of a wider range of industries which provided articles which could no longer be imported during the war due to the long hauls and shortage of shipping (mainly because the Mediterranean zone normally used by the Western world for shipping commodities to East Africa was infested by warships).<sup>1</sup>

By the middle of 1950's, manufacturing industry accounted for nearly 10 percent of Kenya's Gross Domestic Product. In 1955, the value of manufacturing output rose from £17.4 million to 22.7 million in 1961.

In 1963, according to the United Nations Commission, there were 42,600 Africans employed in manufacturing and repair industries. Since the attainment of independence in December, 1963, the expanding economy and markets of Kenya have attracted foreign investments which have started secondary industries based on both local and imported raw materials.

Some of the factors affecting the growth of manufacturing industries are the lack of enterprise, capital and skills. One of the reasons why this depressing situation has prevailed in Kenya's industrial

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<sup>1</sup>Domestic Income and Product in Kenya (Government Printer: Nairobi, 1959), p.23.

development is because manufacturing has been almost completely in the hands of Europeans and Asians who felt threatened if the Africans participated in the manufacturing field. Second, the small extent of the country's presently known natural resources, for example, coal, iron, presents another inhibiting factor in the development of the manufacturing industry. Third, and the most important as mentioned before, the available raw materials are mostly primary agricultural products which, though needing processing for market, do not offer known prospects for any major raw industrial development.

Despite all these inhibiting factors, investment has risen since shortly after the attainment of independence due to political stability of the country. The census of industrial production and the number of persons engaged in industry is shown in Table 14.

The author wishes to mention that according to United Nations' statistics, 40 percent of all industries engaged in manufacturing in 1957, were employed in the capital city (Nairobi); others are distributed in other towns of Maubesa, Kisumu. Manufacturing is mainly undertaken by private concerns and the government through the Industrial Development Corporation provides some financial assistance to them.

The author contends that in order to accelerate development, the government should encourage investors to invest in the interior instead of concentrating industries in the main cities, and by so doing, transportation and communication facilities would be developed. This encouragement can be done through "tax holiday exemption."

TABLE 14

## INDUSTRIAL PRODUCTION

Industry	Establish- ment	Persons Engaged	Gross Produced L.000
Manufacturing and Repair*	-	-	-
Food Products	119	9,123	25,516
Beverages	35	2,810	5,331
Tobacco	1	702	2,685
Clothing and Textiles	25	2,524	2,426
Cordage, rope and twine	6	2,233	1,343
Footwear	2	1,177	1,792
Furniture and Fixtures	81	1,538	1,330
Printing and paper	84	3,683	2,623
Chemicals	20	864	4,191
Cement	7	2,921	2,312
Metal Products	48	2,870	5,276
Glass Products	3	307	462
Shipbuilding and repair	12	2,107	949
Motor vehicles and repair	113	1,918	1,297
Other manufacture	24	419	792

\* Note that information about structure and production of manufacturing industry is not complete.

Agricultural Sector

Examining the land use and potential, it can be seen that Kenya

has agricultural potential. Needless to say, there are environmental and physical factors, technical and organizational difficulties, which restrain the agricultural potential such as floods, drought, insect pests, inadequate transportation facilities etc.

Kenya's role of economic growth and improvement in the level of living will continue to depend to a greater extent on the development in the agricultural sector. This is true because recent export figures show that more than 80 percent of the country's exports comes from agricultural produce (see Table 15).

Note that in 1960, agriculture accounted for about 89 percent of the total Gross National Product and 90 percent of the total value of exports, and that 80 percent of the Gross National Product was derived from European farming (see Tables 15 and 16).

Table 16, which shows the production of major crops by Africans and non-Africans, makes it clear that production by Africans has been increasing steadily and has resulted in general increment of total agricultural produce, particularly coffee and sisal. As has been mentioned earlier, agriculture accounts for the highest percentage of the Gross National Product and it should be given top priority in planning.

Bhagwati points out that many economic analysts tend to underestimate the importance of improving agriculture in the developing economies. This is so because they stress the role of industrialization. But the two need not be in conflict.

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<sup>1</sup>Jagdish Bhagwati, The Economy of Underdeveloped Countries (New York, 1963), pp.147-65.

TABLE 15

EXPORTS-EXTERNAL TRADE: PRINCIPAL COMMODITIES,  
1960-65 -- PERCENTAGE OF TOTAL VALUE

	1960	1961	1962	1963	1964	1965
Coffee (not roasted)	29.2	30.0	27.9	25.1	32.7	29.9
Tea	12.5	11.3	13.9	12.9	12.9	12.9
Sisal Fiber and Raw	13.0	11.9	11.4	17.2	12.8	8.2
Meat and Meat Preparations	5.2	6.5	7.3	5.9	4.6	5.2
Pyrethrum extract and flowers	8.6	8.7	8.4	6.0	5.2	4.7
Hides and skins	5.0	4.5	3.6	2.7	2.7	3.7
Wattle Bark and extract	2.7	2.6	2.3	1.9	2.3	1.8
Pineapples (tinned)	1.3	1.3	1.8	1.9	1.9	1.6
Cotton, raw	2.4	1.8	1.1	1.0	1.4	1.6
Wool, raw	1.1	1.2	1.4	1.3	1.1	1.2
Cashew nuts	0.9	0.9	0.2	0.5	0.6	1.2
Beans, peas and lentils	0.8	0.8	0.5	1.8	1.1	1.0
Oil seeds, kernels	1.6	1.2	0.9	1.5	1.0	1.0
Butter and Ghee	2.1	1.7	2.4	1.9	1.6	1.6
Maize	0.5		2.7	3.6		
Total	85.5	84.1	85.7	87.7	81.8	75.5

Source: Statistics Division, op.cit.

TABLE 16

## PRODUCTION OF MAJOR CROPS (thousand tons)

	1957	1958	1959	1960	1961	1962
<u>Coffee</u>						
African	1.5	2.3	3.6	4.6	7.9	8.1
Non-African	17.0	18.5	19.6	18.8	25.2	19.3
TOTAL	18.5	20.8	23.2	23.4	33.1	27.4
<u>Tea</u>						
African	-	-	0.1	0.1	0.2	-
Non-African	9.8	11.2	12.3	13.5	12.2	-
TOTAL	9.8	11.2	12.4	13.6	12.4	-
<u>Sisal</u>						
African	0.1	-	1.5	3.0	6.3	-
Non-African	41.0	46.0	53.7	59.6	56.0	-
TOTAL	41.1	46.0	55.2	62.6	62.3	-
<u>Pyrethrum</u>						
African	0.4	0.4	0.6	1.8	2.8	-
Non-African	3.0	3.4	4.2	6.7	7.5	-
TOTAL	3.4	3.8	4.8	8.5	10.3	-

Source: Statistics Division, op.cit.

Thus, the author feels that industrial expansion in Kenya depends on the agriculture because agricultural raw materials would form the basis of establishing industries, such as the textile industry.

Prices.--- As far as coffee is concerned in the world market, we see that even though there have been fluctuations in the coffee prices,

Kenya's pyrethrum, tea and coffee have not been very much affected by these fluctuations. It is, therefore, the obligation of the government to see that the quality of coffee production is maintained.



## CHAPTER V

### CONCLUSION

Throughout the course of this study, an attempt has been made to discuss some economic aspects of Kenya, the growth of the African coffee cooperatives and their effects on the economy. Included also have been some of the sectors which have had direct or indirect relationship with the cooperatives, for example, the land settlement schemes, the irrigation schemes, transportation, soil, population and lastly the agricultural and industrial sectors.

This chapter will give a summary of the effects of the African coffee cooperatives on the economy in general and some recommendations which are vital for more effective use of the African coffee cooperatives.

#### The Effect of the Coffee Cooperatives

It has been pointed out that Kenya relies primarily on agricultural produce. In 1957, the African produce accounted for £1,000,000 million and roughly £4,499,000 in 1962. It was approximately £ 10 million in 1963. Roughly 70 percent of this comes from the coffee cooperatives -- it is therefore evident that the African coffee cooperatives have had a great effect on Kenya's economy.

### Education and Transportation

Cooperatives have played a very important role in Kenya's secondary school educational system. Shortly after independence, the Kenya government with the cooperation of the African Coffee Cooperatives established "Harambee" secondary schools, which at the initial stage of their establishments were partially financed by the cooperatives. Besides, through agricultural demonstration schools, cooperative members have been receiving instruction on good methods of farming and on controlling insect pests -- thus increasing productivity. In the transportation sector, through cooperative initiative, there has been a significant improvement in some areas to facilitate moving coffee from rural areas to the cities and towns.

Realizing that economic progress is indeed essential for attaining a high standard of living, the whole rural population must be organized for productive purposes if it is to be achieved. The government requires to have a positive attitude towards cooperatives which it can do by assisting in introducing cooperative financial institutions in each district etc. For example, in each district there should be one farmers' bank with branch offices in divisional headquarters. These banks would help prospective farmers with credit facilities to improve their agricultural produce.

The author also feels that the government should make every effort to organize cooperatives in other areas of agricultural

produce, particularly in the cotton and maize sectors. Cotton is particularly important because this would form the basis of establishing a textile industry and textiles at present have to be imported from overseas.

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